

# Emerging Metals Limited

Directors' report and financial statements

**For the year ended 31 March 2011**

Registration number: 1415559

# Emerging Metals Limited

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# Emerging Metals Limited

## **FINANCIAL AND OPERATIONAL HIGHLIGHTS**

- A Special Dividend of 7.13 pence per share was paid on 18 May 2010 at a total cost of £25,352,097.
- Equity shareholder funds decreased to £9,963,996 (31 March 2010: £35,867,184) – a decrease of 72.2% following the May 2010 shareholder dividend.
- Current assets valuation decreased to £10,012,847 (31 March 2010: £35,920,430) – a decrease of 72.1%.
- Holding in Kalahari Minerals Plc reduced to £nil (31 March 2010: £16,497,647) following sale of remaining 8,917,647 shares at £1.85 on the 16 April 2010.
- Holding in Extract Resources Limited reduced to £nil (31 March 2010: £1,740,508) following sale of 368,721 shares at AUD7.00 on the 19 July 2010.
- Cash reserves at period end remain extremely healthy at £10,000,643 (31 March 2010: £17,676,956).
- Operating expenses for period below budget at £669,897 of which £329,953 related to a commission payment on the sale of Kalahari shares (31 March 2010: operating expenses £396,888).
- Net loss for the year was £1,006,037 (2010: profit £8,408,770).
- Net asset value per share at 31 March 2011 is 2.80 pence (31 March 2010: 10.41 pence).

## **SUBSEQUENT EVENT**

On 3<sup>rd</sup> June 2011, the Company announced that it had subscribed for 26,228,570 new ordinary shares in the capital of Ferrum Resources Limited (“Ferrum”) at a price of US\$0.305 per share for an aggregate consideration of US\$7,999,713.85 (US\$7,247,213.85 net of repayment of an existing US\$752,500 loan from the Company to Ferrum) pursuant to an option agreement with Ferrum announced on 10 May 2011. Ferrum is a private British Virgin Islands company established in January 2010. The company aims to become a major international iron ore mining and exploration group. Ferrum currently holds one reconnaissance permit in Guinea. In addition, it recently acquired Ferrous Africa Limited which holds a 75 per cent. interest in five exploration licenses in Sierra Leone. Ferrum has also applied for two iron ore exploration permits for the Topa Iron Ore Project in the CAR in which it holds a 75 per cent. interest, with the other 25 per cent. interest held by AXMIN Inc.

On 11 July 2011 the Company announced that the agreement by Ferrum Resources to subscribe for new shares in CMC Guernsey Limited constituting 63.53% of its issued shares for a consideration of US\$13.5 million had completed. Regulatory approval in Cameroon approving the transfer of shares to CMC Guernsey has now been granted and CMC Guernsey owns, through a 95 per cent. owned subsidiary, six iron ore licenses in Cameroon. These licenses comprise six permits for the exclusive rights to explore for iron ore and related substances in each of the Djadom, Dja, Lele, Minko, Sanaga and Binga zones in Cameroon covering a total area of approximately 6,000 square kilometres.

# Emerging Metals Limited

## *Chairmen's statement*

Dear Shareholders,

### **Investing Policy**

Since last writing to you in the Company's annual accounts published on 22<sup>nd</sup> September 2010, your Board has continued to seek investment opportunities as approved by shareholders at the Meeting of Shareholders of the Company on 8th April 2011. We believe that this expanded investing policy reflects the preferred strategy of the Company providing greater flexibility to utilise our existing cash reserves to take advantage of investment opportunities across all types of natural resources projects. This investing policy permits the review and consideration of potential investments in not just metals and metals projects, but also investment in all types of natural resources projects, including but not limited to all metals, minerals and hydrocarbon projects, or physical resource assets on a worldwide basis.

Your Board continues to believe that current market conditions will provide good opportunities for a positive return and its collective experience in the areas of mining, acquisitions, accounting and corporate and financial management, together with the opinion of expert consultants in the evaluation and exploitation of opportunities, will enable us to achieve extremely profitable outcomes. Furthermore, we continue to take an active role in the management and development of future projects.

### **Investments**

On the 26th April 2010, following shareholder approval, our remaining shareholding of Kalahari Minerals plc shares was sold to Nippon Uranium Resources (Australia) Proprietary Limited, a wholly owned subsidiary of Itochu Corporation of Japan. The number of shares sold was 8,917,647 at a price 185 pence per share, and we received gross proceeds of £16,497,647 resulting in a realised investment gain of £11,612,665. Thus the sales of the entire holding of Kalahari Minerals shares produced gross proceeds of £32,995,294.

In July 2010, we also disposed of our entire holding in Extract Resources Limited for approximately £1.8 million generating additional realised investment gains of £1,499,735.

### **Dividend payment**

The Board declared a Special Dividend of 7.13 pence per share on 16th April 2010 which was paid on 18th May 2010, being an aggregate amount of £25,352,097.

### **March 2011 Year End Results**

As expected, our year end results to 31 March 2011 show a loss for the year of £1,006,037 (31 March 2010: profit £8,408,770 - including a realised investment gain of £14,427,398).

By implementing operating efficiencies during the year, on a like-for-like basis, our operating expenses were below budget at £669,897 of which £329,953 related to a commission payment on the sale of Kalahari shares (31 March 2010: operating expenses £396,888).

Following the payment of a dividend of £25,352,097 on 18th May 2010, our equity shareholder funds had decreased to £9,963,996 (31st March 2010: £35,867,184) and our cash reserves had decreased to £10,000,643 (31st March 2010: £17,676,956).

Investments stand at £nil (31st March 2010: £18,238,155).

# Emerging Metals Limited

## **Acquisition and Option over Uranium Concentrates**

On the 12th November 2010, we announced that we had contracted for the physical delivery of 25,000 lbs triuranium octoxide ("U3O8") and had entered into an option agreement for the physical delivery of a further 200,000 lbs U3O8. The physical delivery contract was priced at US\$58.00 for each pound of U3O8 delivered. Delivery to a facility in Canada was completed on 17th January 2011 with cash payment of approximately £898,723. The option contract was in respect of 200,000 lbs U3O8 for physical delivery and expired on 31st January 2011. We sold both the physical delivery and the option on the 30th November 2010 at a net price of US\$3.00 for settlement on the 15th December 2010, generating a net US\$100,000 profit on the sale.

## **Subsequent Events – Ferrum Resources Limited Investment**

On 10 May 2011, we announced the execution of a put and call option agreement with Ferrum Resources Limited, an iron ore exploration and development company with interests in Sierra Leone, Guinea and Central African Republic. Under the terms of the agreement, Ferrum Resources granted the Company a call option, for a consideration of US\$1 and the Company granted Ferrum Resources a put option, for a consideration of US\$1.

On 3 June 2011, we announced that we had subscribed for 26,228,570 new ordinary shares in the capital of Ferrum Resources at a price of US\$0.305 per share for an aggregate consideration of US\$7,999,714 (US\$7,247,214 net of repayment of an existing US\$752,500 loan) pursuant to the agreement. The new Ferrum Resources shares represent 37.23% of that company's enlarged issued share capital. In accordance with the terms of the option agreement, Jim Mellon and Denham Eke were appointed to the board of Ferrum Resources with Mr Mellon assuming the interim role of Chairman.

We also advanced US\$7,000,000 as bridging finance for a proposed acquisition by Ferrum Resources of 63.5% of the issued share capital of CMC Guernsey; a Guernsey registered company with iron ore licenses in Cameroon. This bridging loan, which is secured against assets of Ferrum Resources, is immediately repayable together with interest (charged at a rate of 9% per annum) on 31 December 2011. On 11 July 2011 the Company announced that the agreement by Ferrum Resources to subscribe for new shares in CMC Guernsey Limited constituting 63.53% of its issued shares for a consideration of US\$13.5 million had completed. Regulatory approval in Cameroon approving the transfer of shares to CMC Guernsey has now been granted and CMC Guernsey owns, through a 95 per cent. owned subsidiary, six iron ore licenses in Cameroon. These licenses comprise six permits for the exclusive rights to explore for iron ore and related substances in each of the Djadom, Dja, Lele, Minko, Sanaga and Binga zones in Cameroon covering a total area of approximately 6,000 square kilometres. The licenses were granted in September/October 2010 and are valid for three years, renewable for two additional periods of up to two years each. The permit area must be reduced by 50 per cent. at each renewal.

## **Subsequent Events – Payment of Shares to Directors in Lieu of Salary**

On 7 June 2011, we announced that the Company had allotted 4,618,173 new ordinary shares in lieu of salary and fee payments to directors. The new shares have been issued in respect of 100% of Directors' remuneration at month end mid-market prices / exchange rates (USD/GBP) in respect of the eight month period October 2010 through May 2011. The volume weighted average issue price in respect of each director was approximately 2.8113p.

Finally, we would like to express our appreciation to the shareholders for their continued support.

**Stephen Dattels** *Co-chairman*

**James Mellon** *Co-chairman*

# Emerging Metals Limited

## Directors' report

The Directors' present their annual report and the financial statements for Emerging Metals Limited ("EML" or the "Company") for the year ended 31 March 2011.

## Principal activity

The Company seeks investment opportunities across all types of natural resources projects. This investing policy permits the review and consideration of potential investments in not just metals and metals projects, but also investment in all types of natural resources projects, including but not limited to all metals, minerals and hydrocarbon projects, or physical resource assets on a worldwide basis

## Results and transfer to reserves

The results and transfers to reserves for the year are set out on page 8.

The Company made a loss for the year after taxation of £1,006,037 (2010: profit £8,408,770).

## Dividend

On 16 April 2010 the Directors proposed the payment of a dividend of 7.13 pence per share, totalling £25,352,097 (2010: £nil).

## Directors

The Directors who served during the year and to date were:

Mitchell Alland  
Denham Eke  
Stephen Dattels  
James Mellon  
Patrick Weller

## Directors' Remuneration

	2011	2010
	£	£
Mitchell Alland	25,007	70,676
Denham Eke	96,488	95,329
Stephen Dattels	25,000	25,000
James Mellon	25,000	25,000
Patrick Weller	25,000	25,000
<b>Total</b>	<b>196,495</b>	<b>241,005</b>

From October 2010 the Directors passed a resolution for 100% of Directors' remuneration to be settled by way of shares issued in the Company (see note 1(g)).

# Emerging Metals Limited

## Directors' report (continued)

### Share capital

The Company is authorised to issue an unlimited number of no par value shares of a single class. The Company may issue fractional shares and a fractional share shall have the corresponding fractional rights, obligations and liabilities of a whole share of the same class or series of shares.

355,569,386 (2010: 344,464,479) shares are in issue as at 31 March 2011 with a share premium value of £15,804,554 (2010: £15,245,789).

### Directors' Interests

As at 31 March 2011, the interests (all of which are beneficial unless otherwise stated) of the Directors and their immediate families and the persons connected with them (within the meaning of Section 346 of the UK Companies Act 1985 ("Connected Person")) are as follows:

	<b>Number of Ordinary Shares</b>	<b>Percentage of Issued Capital</b>
Mitchell Alland	5,687,811	1.60%
Denham Eke <sup>1</sup>	3,525,163	0.99%
Stephen Dattels <sup>2</sup>	21,224,263	5.97%
James Mellon <sup>3</sup>	30,737,443	8.64%
Patrick Weller	3,872,734	1.09%

#### *Notes to Directors' Interests:*

- 1 Denham Eke is a director of Galloway Limited, a company which is indirectly wholly owned by the trustee of a settlement under which James Mellon has a life interest.
- 2 Stephen Dattels' entire shareholding of 21,224,263 shares is held by Regent Mercantile Holdings Limited a company itself owned by trustees of a trust under which Stephen Dattels and members of his family may become beneficiaries.
- 3 James Mellon's shareholding is held in part by himself and in part by Galloway Limited, a company which is indirectly wholly owned by the trustee of a settlement under which James Mellon has a life interest.

### Auditors

Our Auditors, KPMG Audit LLC, being eligible, have expressed their willingness to continue in office.

By order of the Board

Secretary

Craigmuir Chambers  
Road Town  
Tortola  
British Virgin Islands

# Emerging Metals Limited

## Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations. In addition, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards.

The financial statements are required to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with International Financial Reporting Standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to allow for the preparation of financial statements. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation governing the preparation and dissemination of financial statements may differ from one jurisdiction to another.

# Emerging Metals Limited

## Report of the Independent Auditors, KPMG Audit LLC, to the members of Emerging Metals Limited

We have audited the financial statements of Emerging Metals Limited for the year ended 31 March 2011 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs).

This report is made solely to the Company's members, as a body. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### ***Respective responsibilities of Directors and Auditors***

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the Directors are responsible for the preparation of financial statements that give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### ***Scope of the audit of the financial statements***

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

### ***Opinion on the financial statements***

In our opinion the financial statements give a true and fair view, in accordance with IFRSs, of the state of the Company's affairs as at 31 March 2011 and of the Company's loss for the year then ended.

**KPMG Audit LLC**  
*Chartered Accountants*  
Heritage Court  
41 Athol Street  
Douglas  
Isle of Man  
IM99 1HN

# Emerging Metals Limited

## Statement of comprehensive income

For the year ended 31 March 2011

	<i>Notes</i>	2011 £	2010 £
<b>Income</b>			
Exchange losses		<b>(34,345)</b>	(61,521)
Unrealised (losses) / gains on investments		<b>(13,074,226)</b>	2,814,733
Realised gains on investments		<b>12,880,877</b>	11,612,665
		<b>(227,694)</b>	14,365,877
<b>Operating expenses</b>			
Directors' fees	7	<b>(196,495)</b>	(241,005)
Other costs	3	<b>(669,897)</b>	(396,888)
Impairment losses	4	-	(5,319,860)
		<b>(866,392)</b>	(5,957,753)
<b>(Loss) / profit before interest income</b>		<b>(1,094,086)</b>	8,408,124
Interest income	1(c)	<b>88,049</b>	646
<b>(Loss) / profit before taxation</b>		<b>(1,006,037)</b>	8,408,770
Taxation	8	-	-
<b>(Loss) / profit for the year</b>		<b>(1,006,037)</b>	8,408,770
Other comprehensive income		-	-
<b>Total comprehensive (loss) / income for the year</b>		<b>(1,006,037)</b>	8,408,770
Earnings per share	14	<b>(0.0028)</b>	0.0254
Diluted earnings per share	14	<b>(0.0028)</b>	0.0237

The notes on pages 12 to 23 form part of these financial statements.

# Emerging Metals Limited

## Statement of financial position

as at 31 March 2011

	<i>Notes</i>	<b>2011</b>	2010
		£	£
<b>Assets</b>			
<b>Current assets</b>			
Investments	1(d)	-	18,238,155
Trade and other receivables	1(d)	<b>12,204</b>	5,319
Cash and cash equivalents	1(d)	<b>10,000,643</b>	17,676,956
		<u><b>10,012,847</b></u>	<u>35,920,430</u>
<b>Total assets</b>		<u><b>10,012,847</b></u>	<u>35,920,430</u>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	5	-	-
Share premium	5	<b>15,804,554</b>	15,245,789
Share option reserve	6	-	1,201,674
Equity share based payment reserve	1(g),(h)	<b>97,305</b>	201,124
Accumulated (loss) / profit		<b>(5,937,863)</b>	19,218,597
		<u><b>9,963,996</b></u>	<u>35,867,184</u>
<b>Equity attributable to owners of the company</b>		<u><b>9,963,996</b></u>	<u>35,867,184</u>
<b>Current liabilities</b>			
Trade and other payables		<b>48,851</b>	53,246
		<u><b>48,851</b></u>	<u>53,246</u>
<b>Total liabilities</b>		<u><b>48,851</b></u>	<u>53,246</u>
<b>Total equity and liabilities</b>		<u><b>10,012,847</b></u>	<u>35,920,430</u>

The notes on pages 12 to 23 form part of these financial statements.



# Emerging Metals Limited

## Statement of cash flows

for the year ended 31 March 2011

	<i>Notes</i>	2011 £	2010 £
<b>Net cash outflow from operating activities</b>	9	<b>(726,663)</b>	(583,280)
<b>Cash flows from investing activities</b>			
Amount paid in cash for purchase of investments		<b>(316,285)</b>	(2,655,882)
Proceeds on sale of investments		<b>18,361,091</b>	16,472,899
<b>Net cash inflow from investing activities</b>		<b>18,044,806</b>	13,817,017
<b>Cash flows from financing activities</b>			
Exercise of share options	6	<b>357,641</b>	685,259
Dividends paid to equity holders		<b>(25,352,097)</b>	-
<b>Net cash (outflow) / inflow from financing activities</b>		<b>(24,994,456)</b>	685,259
<b>(Decrease) / increase in cash and cash equivalents</b>		<b>(7,676,313)</b>	13,918,996
Cash and cash equivalents at beginning of year		<b>17,676,956</b>	3,757,960
<b>Cash and cash equivalents at the end of year</b>		<b>10,000,643</b>	17,676,956

The notes on pages 12 to 23 form part of these financial statements.

# Emerging Metals Limited

## Notes

*(forming part of the financial statements for the year ended 31 March 2011)*

### 1 Accounting policies

Emerging Metals Limited is a Company domiciled in the British Virgin Islands.

The financial statements incorporate the principal accounting policies set out below.

#### **a) *Statement of compliance***

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations adopted by the International Accounting Standards Board (IASB).

#### **b) *Basis of preparation***

##### *Measurement currency*

The financial statements of the Company are presented in Sterling pounds, which is the Company's functional currency.

##### *Use of Estimates and Judgment*

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period of the revision and future periods if the revision affects both current and future periods.

# Emerging Metals Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 March 2011)

### 1 Accounting policies (continued)

#### b) Basis of preparation (continued)

A number of new standards, amendments to standards and interpretations are not yet effective for the year, and have not been applied in preparing these financial statements:

	<b>Effective date (accounting periods commencing on or after)</b>
<b>New/Revised International Financial Reporting Standards (IAS/IFRS)</b>	
IAS 1 Presentation of Financial Statements*	1 January 2011
IAS 12 Income Taxes – Limited scope amendment (recovery of underlying assets) (December 2010)	1 January 2012
IAS 24 Related Party Disclosures - Revised definition of related parties	1 January 2011
IAS 27 Consolidated and Separate Financial Statements*	1 July 2010
IAS 27 Consolidated and Separate Financial Statements – Reissued as IAS 27 <i>Separate Financial Statements</i> (as amended in May 2011)	1 January 2013
IAS 28 Investments in Associates – Reissued as IAS 28 <i>Investments in Associates and Joint Ventures</i> (as amended in May 2011)	1 January 2013
IAS 34 Interim Financial Reporting*	1 January 2011
IFRS 3 Business Combinations*	1 July 2010
IFRS 7 Financial Instruments: Disclosures*	1 January 2011
IFRS 7 Financial Instruments: Disclosures – Amendments enhancing disclosures about transfers of financial assets (October 2010)	1 July 2011
IFRS 9 Financial Instruments - Classification and Measurement	1 January 2013
IFRS 10 Consolidated Financial Statements**	1 January 2013
IFRS 11 Joint Arrangements**	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities**	1 January 2013
IFRS 13 Fair Value Measurement**	1 January 2013
<b>IFRIC Interpretation</b>	
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

\*Amendments resulting from May 2010 Annual Improvements to IFRSs

\*\* Original issue May 2011

The Directors do not expect the adoption of the standards and interpretations to have a material impact on the Group's financial statements in the period of initial application. However, IFRS 9 *Financial Instruments* issued in November 2009 will change classification of financial assets.

#### c) Interest Income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable.

# Emerging Metals Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 March 2011)

### 1 Accounting policies (continued)

#### d) *Financial instruments*

##### *Measurement*

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

##### *Trade and other receivables*

Trade and other receivables originated by the Company are stated at amortised cost less impairment losses.

##### *Cash and cash equivalents*

Cash and cash equivalents are measured at amortised cost and due on demand.

##### *Financial liabilities*

Non-derivative financial liabilities are recognised at amortised cost.

#### e) *Provisions*

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation.

Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### f) *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting date. All differences are taken to the statement of comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

#### g) *Share based payments*

The Company determines the fair value of options issued to Directors in lieu of remuneration and recognises the amount as an expense in the statement of comprehensive income with a corresponding increase in equity.

#### h) *Directors equity share based payments*

The fair value of the shares granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at each qualifying month end and spread over the period during which the directors become unconditionally entitled to the shares.

# Emerging Metals Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 March 2011)

### 2 Operating segments

It is the Directors' opinion that the Company operates within a single segment.

### 3 Other costs

	2011	2010
	£	£
Professional fees	241,726	305,560
Audit fee	16,501	19,025
Commission on sale of investments	329,953	-
Travel and transport expenses	604	3,045
Office expenses	81,113	69,258
	<u>669,897</u>	<u>396,888</u>

### 4 Impairment losses

The impairment losses recognised in the statement of comprehensive income, as a separate line item within operating profit are as follows:

	2011	2010
	£	£
Intangible fixed assets	-	501,405
Cost of land options	-	4,818,455
	<u>-</u>	<u>5,319,860</u>

On 31 March 2010 the Directors' opinion was that the carrying value of these assets were not deemed recoverable and exceeded their fair value and that the carrying values be written off anticipating the expiry at the end of July 2010. The option has now expired.

# Emerging Metals Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 March 2011)

### 5 Share capital and share premium

	2011	2010
	£	£
<i>Authorised</i>		
The Company is authorised to issue an unlimited number of no par value shares of a single class	-	-
<i>Issued</i>		
355,569,386 (2010: 344,464,479 ordinary shares of £0.00 each) ordinary shares of £0.00 each.	-	-
<i>Share premium</i>		
1 share at incorporation	-	-
71,528,234 shares at £0.0001 per share	<b>7,153</b>	7,153
214,584,704 shares at £0.0500 per share	<b>10,729,235</b>	10,729,235
21,899,698 shares at £0.0500 per share	<b>1,094,985</b>	1,094,985
22,746,663 shares at £0.1200 per share	<b>2,729,157</b>	2,729,157
13,705,179 shares at £0.0500 per share	<b>685,259</b>	685,259
3,952,084 shares at £0.05089 per share (see note 7)	<b>201,124</b>	-
7,152,823 shares at £0.0500 per share (see note 6)	<b>357,641</b>	-
<b>Total</b>	<b>15,804,554</b>	15,245,789

The shares issued during the period with share premium of £558,765 relate to the exercise of share options (please refer to note 6) and equity share-based payments following a resolution passed for the Directors of the Company to accept remuneration in the form of new shares issued at mid-market prices (please refer to note 7).

### 6 Share options

On 6 April 2010 the Company issued 7,152,823 (31 March 2010: 13,705,179) ordinary shares at no par value for a total consideration of £357,641 in respect of an exercise of the outstanding founder share options.

As at 31 March 2011, the value of the share options in issue is £nil (31 March 2010: £1,201,674).

### 7 Directors' fees

	2011	2010
	£	£
Mitchell Alland	<b>25,007</b>	70,676
Denham Eke	<b>96,488</b>	95,329
Stephen Dattels	<b>25,000</b>	25,000
James Mellon	<b>25,000</b>	25,000
Patrick Weller	<b>25,000</b>	25,000
<b>Total</b>	<b>196,495</b>	241,005

# Emerging Metals Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 March 2011)

### 7 Directors' fees (continued)

In November 2008 the Company granted equity share-based payments following a resolution passed for the Directors of the Company to accept 50% of their remuneration in the form of new shares issued at monthly mid-market prices.

On 20 April 2010 the Company allotted 3,952,084 (31 March 2010: nil) new ordinary shares of nil par value in lieu of salary and fee payments to Directors in accordance with the announcement of final results made on 22 September 2010. The new shares were issued at month end mid-market prices/exchange rates (USD/GBP) in respect of the period November 2008 to March 2010 inclusive. The volume weighted average issue price in respect of each Director was approximately 5.089p.

Following the 2010 share allotment, Directors fees reverted to being settled by way of cash payment. However, subsequent to the year end, the Directors resolved that amounts outstanding to the Directors in respect of fees (reflecting the period from 1 October 2010 to 31 May 2011) should be settled via issue of new ordinary shares in the Company, issued at month end mid market prices, in order to conserve cash for post year end activities (see Note 13).

	<b>Period</b>	<b>Share issue date</b>	<b>Shares issued</b>	<b>2010 £</b>
Directors fees paid in cash at 50%	April 2009 to March 2010	-	-	120,121
Shares in lieu	April 2009 to March 2010	20 April 2010	1,960,444	120,884
				<u>241,005</u>

	<b>Period</b>	<b>Share issue date</b>	<b>Shares issued</b>	<b>2011 £</b>
Directors fees paid in cash at 100%	April 2010 to September 2010	-	-	99,190
Shares in lieu	October 2010 to March 2011	7 June 2011	3,401,304	97,305
				<u>196,495</u>

The Company has no employees other than the Directors.

### 8 Taxation

The Company is exempt from the provisions of the Income Tax Ordinance of the British Virgin Islands.

# Emerging Metals Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 March 2011)

### 9 Notes to the cash flow statement

*Reconciliation of (loss) / profit for the year to net outflow from operating activities*

	2011	2010
	£	£
(Loss) / profit for the year	<b>(1,006,037)</b>	8,408,770
Adjustment for:		
(Increase) / decrease in trade and other receivables	<b>(6,885)</b>	1,058
Decrease in trade and other payables	<b>(4,395)</b>	(6,454)
Share based payment charge	<b>97,305</b>	120,884
Unrealised losses/(gains) on investments	<b>13,074,226</b>	(2,814,733)
Impairment losses	-	5,319,860
Realised gains on investments	<b>(12,880,877)</b>	(11,612,665)
<b>Net cash outflow from operating activities</b>	<b>(726,663)</b>	(583,280)

### 10 Financial risk management

The Company's financial instruments are exposed to a number of risks as detailed below:

#### ***Credit risk***

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its contractual obligations.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2011	2010
	£	£
Cash	<b>10,000,643</b>	17,676,956

The Company invests available cash with an Isle of Man licensed bank, which has a strong history on the Island. The bank accounts are held under a fiduciary agreement and funds are available on demand.

The Company has a nominal level of debtors, and as such the Company is able to determine that credit risk is considered minimal in relation to debtors.

#### ***Liquidity risk***

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is managed by the Company by means of cash flow planning to ensure that future cash requirements are anticipated. All liabilities are due within one month and all cash maintained in call accounts.

# Emerging Metals Limited

## Notes (continued)

*(forming part of the financial statements for the year ended 31 March 2011)*

### 10 Financial risk management (continued)

#### **Market price risk**

Market price risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

All investments present a risk of loss of capital due to unexpected and unforeseen events in the financial markets, and these can have a material and unpredictable impact on the portfolio value. The maximum risk resulting from the portfolio is equivalent to their fair value.

	2011 £	2010 £
Investments	-	18,238,155

#### **Interest rate risk**

The Company holds current assets in the form of cash at bank. As a result, the Company is subject to risk due to fluctuations in the prevailing level of market interest rates. The weighted average interest rate at 31 March 2011 was 0.7473% (31 March 2010: 0.0152%) and all balances are held on demand.

The Directors do not regard that interest income is a core revenue stream of the Company and therefore fluctuations in interest rates will not adversely impact the continuing operations of the Company.

#### **Fair values of financial instruments**

At 31 March 2011 the carrying amounts of cash resources, trade and other receivables, and trade and other payables approximate their fair values due to their short-term maturities.

# Emerging Metals Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 March 2011)

### 11 Significant shareholdings

Except for the interests disclosed in this note, the Directors are not aware of any holding of Ordinary Shares as at 31 March 2011 representing 3% or more of the issued share capital of the Company:

	<b>Number of Ordinary Shares</b>	<b>Percentage of Issued Capital</b>
Vidacos Nominees Limited	121,570,500	34.19%
Bruce Rowan	25,000,000	7.03%
Goldman Sachs Securities (Nominees) Limited	21,224,263	5.97%
Ambrian Nominees Limited	12,705,179	3.57%
Lynchwood Nominees Limited	11,047,811	3.11%
Barclayshare Nominees Limited	10,883,368	3.06%
<i>Directors' interests</i>		
Stephen Dattels <sup>2</sup>	21,224,263	5.97%
James Mellon <sup>3</sup>	30,737,443	8.64%

Notes to Directors' Interests:

- 1 Denham Eke is a director of Galloway Limited, a company which is indirectly wholly owned by the trustee of a settlement under which James Mellon has a life interest.
- 2 Stephen Dattels' entire shareholding of 21,224,263 shares is held by Regent Mercantile Holdings Limited a company itself owned by trustees of a trust under which Stephen Dattels and members of his family may become beneficiaries.
- 3 James Mellon's shareholding consists of 28,737,443 shares which are held by Galloway Limited, a company which is indirectly wholly owned by the trustee of a settlement under which James Mellon has a life interest and a further 2,000,000 shares held in James Mellon's own name. Denham Eke is also a Director of Galloway Limited.

### 12 Related party transaction

The Company has entered into a service agreement with Burnbrae Limited for the provision of administrative and general office services. Mr James Mellon and Mr Denham Eke are both directors of Burnbrae Limited and the Company. During the year the Company paid £37,125 (2010: £32,162) under this agreement and as at 31 March 2011 an amount of £nil (2010: £8,488) was owed to Burnbrae Limited.

# Emerging Metals Limited

## Notes (continued)

*(forming part of the financial statements for the year ended 31 March 2011)*

### 13 Subsequent events

- On 8 April 2011 the Company announced that at its Meeting of Shareholders held earlier that day, that a resolution to approve the expansion of the Company's existing investing policy was duly passed.
- On 8 April 2011 the Company announced the appointment of Evolution Securities Limited as sole Broker to the Company with immediate effect.
- On 20 April 2011 the Company announced that under the terms of a convertible loan agreement entered into between the Company and Ferrum Resources Limited, the Company had advanced US\$752,500, repayable in full in cash on 31 October 2011, or at any time earlier by conversion into 2,467,213 new ordinary shares in the capital of Ferrum Resources Limited at an effective price of US\$0.305 each.
- On 24 April 2011 the Company announced that, further to the approval of its expanded investing policy on 8 April 2011 and after consultation with the Exchange, the Company became an investing company for the purposes of the AIM Rules on 19 July 2010 (following completion of its disposal of shares in Extract Resources) and hence had twelve months from that date to make any acquisition(s) which constitute(s) a reverse takeover or otherwise implement its investing policy to the satisfaction of the Exchange.
- On 10 May 2011 the Company announced that it had executed a put and call option agreement with Ferrum Resources Limited, an iron ore exploration and development company with interests in Sierra Leone, Guinea and Central African Republic. Under the terms of the Option Agreement,
  - Ferrum Resources Limited has granted the Company a call option, for a consideration of US\$1;
  - the Company has granted Ferrum Resources Limited a put option, for a consideration of US\$1;
  - under the Put Option, Ferrum Resources Limited can require the Company to subscribe for the Option Shares (at the Subscription Price) at any time within 60 days of the date the Option Agreement save that the Put Option can only be exercised if Ferrum Resources Limited has received a legal opinion from its Sierra Leone counsel confirming its interests in, and the good standing of, five exploration licenses in the country;
  - in each case the aggregate Subscription Price shall be US\$7,999,714;
  - in aggregate, the Option Shares will, if issued, constitute 37.5% of the enlarged issued share capital of Ferrum.

# Emerging Metals Limited

## Notes (continued)

*(forming part of the financial statements for the year ended 31 March 2011)*

### 13 Subsequent events (continued)

- On 3 June 2011 Emerging Metals Limited announced that it had subscribed for 26,228,570 new ordinary shares in the capital of Ferrum Resources Limited at a price of US\$0.305 per share for an aggregate consideration of US\$7,999,714 (US\$7,247,214 net of repayment of an existing US\$752,500 loan from the Company to Ferrum Resources Limited) pursuant to the option agreement with Ferrum Resources Limited announced on 10 May 2011. The New Ferrum Shares represent 37.23% of Ferrum's enlarged issued share capital. In accordance with the terms of the option agreement, Jim Mellon and Denham Eke were appointed to the board of Ferrum with Mr Mellon assuming the interim role of Chairman. The Company had in addition advanced to Ferrum US\$7,000,000 as bridging finance for a proposed acquisition by Ferrum of 63.5% of the issued share capital of a Guernsey registered company with Iron Ore licenses in Cameroon. The Bridging Loan, which is secured against assets of Ferrum, is immediately repayable together with interest (charged at a rate of 9% per annum) on 31 December 2011.
- On 7 June 2011 the Company announced that its 37.23% associate Ferrum Resources Limited had entered into an agreement to subscribe for new shares in CMC Guernsey Limited constituting 63.53% of its issued shares for a cash consideration of US\$13.5 million.
- On 8 June 2011 the Company announced that, following a board meeting on 27 May 2011, it had allotted 4,618,173 new ordinary shares of nil par value in lieu of salary and fee payments to directors. The new shares have been issued in respect of 100% of Directors' remuneration at month end mid-market prices / exchange rates (USD/GBP) in respect of the eight month period October 2010 through May 2011. The volume weighted average issue price in respect of each director was approximately 2.8113p.
- On 11 July 2011 the Company announced that the agreement by its 37.23% associate Ferrum Resources Limited to subscribe for new shares in CMC Guernsey Limited constituting 63.53% of its issued shares for a consideration of US\$13.5 million had completed.

### 14 Basic and diluted earnings per share

The calculation of basic earnings per share of the Company is based on the net loss attributable to shareholders for the year of £1,006,037 (2010: profit of £8,408,770) and the weighted average number of shares of 355,098,075 (2010: 330,759,300) in issue during the year.

# Emerging Metals Limited

## Notes (continued)

*(forming part of the financial statements for the year ended 31 March 2011)*

### 14 Basic and diluted earnings per share (continued)

Diluted earnings per share are calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 31 March 2011 there is no dilutive effect, because the Company incurred net losses. Therefore, basic and diluted earnings per share for the year are equal.

	<b>2011</b>	2010
	<b>£</b>	£
Retained Earnings for basic and diluted earnings per sh	<b>(1,006,037)</b>	8,408,770
	<b>2011</b>	2010
	<b>No. of shares</b>	No. of shares
Weighted average number of shares for basic earnings per share	<b>355,098,075</b>	330,759,300
Diluted effect of weighted average shares to be issued to Directors in lieu of fees (note 7)	<b>979,071</b>	24,242,379
Weighted average number of shares for diluted earnings per share	<b>356,077,146</b>	355,001,679